

BELLMON ANALYSIS GUIDELINES FOR WEST AFRICA

The purpose of these guidelines is to provide a format for the Bellmon Analysis with specific focus on West Africa. The guidelines were developed by USDA/Abidjan, USAID/RFFP/Bamako, and Cooperating Sponsors to address specific issues of managing food aid in West Africa. These issues and challenges include:

- 1) the large number of small and fragile food markets;*
- 2) dominance of a few large buyers;*
- 3) unstable political environments;*
- 4) cost recovery/fair market price and tax/duty considerations,*
- 4) the impact of UMOEA (West Africa Monetary and Economic Union) on regional monetization markets, and*
- 5) problems of collecting reliable data.*

It is important that the Bellmon Analysis address these issues so as to carefully assess the appropriateness and impact of monetization and direct distribution food aid programs on food markets in West Africa.

While the level of analysis and the amount of detail will depend upon access to reliable data, these guidelines offer an example of the issues that need to be addressed when conducting a Bellmon Analysis in the West Africa Region.

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SECTION ONE: INTRODUCTION AND SUMMARY

This section should briefly state the purpose of doing a Bellmon analysis; the conclusions, i.e. what commodities were analyzed, and food aid tonnage that might be reasonably monetized and/or distributed; and major conclusions of the storage, handling and transport capacity evaluation.

Note: The Bellmon Amendment to Public Law 480 sets out the following criteria for approving a food aid program:

- 1. The distribution of commodities in the recipient country will not result in a substantial disincentive or interference with domestic production or marketing in that country; and**
- 2. Adequate storage facilities are available in the recipient country at the time of exportation of the commodity to prevent the spoilage or waste of the commodity.**

SECTION TWO: DISINCENTIVE ANALYSIS

1. Agriculture Sector Overview

Describe briefly the agricultural situation (Tables 1 and 2), household consumption patterns, and factors affecting food consumption patterns (civil unrest, rural to urban migration, etc.). The purpose is to provide background on agriculture's role in the economy, and whether the country is self-sufficient or dependent upon imports to meet the food needs of its population. An evaluation of the major strengths and/or weaknesses of agriculture production should be included.

Example: Table 1: - Country X – Food Consumed, Produced, Imported and Programmed (food aid)

Foods Consumed locally	Produced locally	Imported	Programmed
Sorghum	X		
Millet	X		
Wheat		X	
Fonio	X		
Rice	X	X	
Vegetable oil (clear)	X	X	
Corn	X		

Cite sources

Example: Table 2 – Country X - Gross Production of Main Food Crops for the last five years (example below: 1997-2002 (in thousand tons))

Commodity	1996/1997	1998/1999	1999/2000	2000/2001	2001/2002
Wheat	8	9	15	10	11
Paddy Rice	632	688	810	745	840
Milled Rice	430	468	551	507	571
Coarse grains	1718	1827	2128	1841	2016

Cite sources

2. Government Macroeconomic and Agriculture Policies Affecting the Food Sector

The purpose of this section is to provide information on the level of government involvement in the domestic food economy. Government policies have a profound impact upon production, consumption and pricing decisions, which can in turn influence the effectiveness of food aid. This section should address three main areas:

A. Agricultural policies

- 1) What is the government's overall agricultural strategy? Is the government involved in the promotion of certain crops, the marketing and distribution of cereals, or providing input subsidies? (Some of this information might overlap with information provided in points 1 and 2).
- 2) What other international organizations (FAO, World Bank, EU, and PVOs) are working in the agricultural sector, and what are their goals and objectives?

B. Pricing Policies

- 1) Overall, how are food prices determined in Country X's economy?
- 2) Does the government set floor or ceiling prices for certain foods, either at the farm- gate, wholesale or retail levels?
- 3) Are there quotas or taxes imposed on the importation of certain foodstuffs or other inputs, which in turn might affect agricultural production or food prices?

C. Marketing System

- 1) What role does the government play in the marketing and distribution of food commodities? For example, are there any parastatals or government-owned satellites that control a particular food market?
- 2) What role does the private sector play in the marketing and distribution of food commodities?
- 3) What is the overall structure of the private sector - monopolistic, oligopolistic, or competitive?
- 4) What are the government's trade policies?
- 5) What is the impact of regional commodity trade? (In particular, discuss trade in UEMOA countries.) Note: These statistics are normally difficult to obtain, due to volumes of informal trade. Anecdotal information gained from traders is useful to mention here.

3. The Role of Food Aid

The purpose of this section is to provide a brief overview of the role of food aid in the recipient country. Food aid can have an important impact upon the functioning of the domestic food economy, and for this reason it is important to be aware of present and future food aid projects. This section should, where possible, provide information on the quantities of food aid in a host country from U.S. and non-U.S. sources. The section should include the following information:

- Types and quantities of food aid distributed and/or monetized over the past five years, and estimated for the current year.
- The percentage of food aid as part of 1) total consumption and 2) imports of Commodity X
- Any special factors involving food aid, such as traditional donor patterns, specific government food aid policies.

4. Disincentive Analysis for Specific Commodities

The purpose of this section is to outline the disincentive analysis for each of the commodity markets under consideration for the P.L. 480 Title II program. The key issue is not whether Title II food aid will have an effect on the market, but rather the magnitude of that effect. A sample outline for the disincentive analysis is provided below:

A. Commodity X (i.e. wheat flour etc.)Example: Analysis of the Wheat/Wheat Flour market

Example: Table X: Wheat production, imports and consumption (in thousand tons)

Commodity	1996/1997	1998/1999	1999/2000	2000/2001	2001/2002	Average
Production	8	9	15	10	11	10.6
Imports (*)	50	50	50	60	50	52
Consumption	58	59	65	50	61	58.6

Cite Source. (*) include anticipated commercial imports and food aid needs

B. Description of Commodity X production, consumption and market characteristics

- 1) Production: What is the agriculture harvest calendar and processing capacity (artisanal and commercial)? What is the use of the commodity (consumed, exported, other uses)?
- 2) Consumption: Describe how average annual consumption requirements are calculated, and difficulties encountered with the data. Is it all for human consumption or is some for animal consumption?
- 3) Impact upon local production: Will the sale or distribution of commodity X cause a significant disincentive to local production and/or marketing? If the country has a comparative advantage in the production of the same or closely substitutable commodity that is supplied or being considered as food aid, describe the potential impact/disincentive. If not, several reasons could be the lack of substitution between the imported goods and domestically produced goods, the prices of imported as compared with local goods, and the small proportion of food aid in comparison to the size of the market.
- 4) Optimal timing of food aid arrivals described in relation to price trends, other imports, and local production.

SECTION 4 SHOULD BE FOLLOWED FOR EACH COMMODITY ANALYZED FOR MONETIZATION/DISTRIBUTION.

5. Feasibility of Monetization (for monetization programs)

- A. Monetization targets: If it is determined that food aid will not have a negative impact upon local production and marketing, discuss and justify target levels of food aid that can be imported. These should be under the current Usual Market Requirements (UMR). (See note on UMRs at end of document.)
- B. Market structure: Describe the market structure. How many buyers are there in the market for Commodity X? How does the marketing channel work? How many levels (importers, wholesalers, and retailers) are involved? What brands or varieties of Commodity X are already being imported into the market? What are the tastes and preferences of the local population for a commodity? What is the optimal timing for importation?
- C. Cost recovery and market price analysis: Under actual conditions in the market will the sale of the commodity obtain "80% of C&F or 100% of FAS, whichever is greater?" If not, what is the fair market price? A price analysis should be performed as follows (illustrative):

Example: Table Y: Cost Recovery Analysis for Bulk Wheat, Protein Content 12%

Item	Price
FAS spot price (January 2002)	\$138/MT
Freight (Foreign-bottom carrier)	\$45/MT
Subtotal CIF:	\$183/MT
Doaune fiscale (0% of CIF)	0
VAT (18% of CIF price)	\$32.94/MT
AF (3% of CIF price)	\$5.49/MT
DD (5% of CIF price)	\$9.15/MT
PCS (1% of CIF)	\$1.83/MT
Port agency	N/A
PAC	\$3.7/MT (2050FCFA/MT)
Handling charges	\$1.8/MT (1,000 FCFA/MT)
Transport	\$3.5/MT (1,950 FCFA/MT)
Storage/warehousing per month	\$.04/MT (25FCFA/MT)
Total C+F (with taxes)	\$241.41/MT
80% C+F (with taxes)	\$193/MT
Compare with import parity price for U.S. HRW from three sellers	\$154/MT; \$160; \$175
Calculated "ex-warehouse" price	\$207.23/MT

D. Taxes and Duties: Host governments are encouraged to grant taxes and duties exoneration of PVO monetization programs. This is to be considered the government's contribution to the development program in the country. Therefore, what is the arrangement worked out with the government concerning taxes and duties? What is the impact of UEMOA on taxes/duties?

SECTION 5 SHOULD BE FOLLOWED FOR EACH COMMODITY ANALYZED FOR MONETIZATION.

PART TWO: PORT FACILITIES, STORAGE, AND TRANSPORT

1. In Coastal States: Discharge, Storage and Transport

What is the major port (or ports) of entry? What is the port's handling capacity, and are there problems with congestion?

Example: Table Z: Major Port Capacity

Port and Facility	Storage Capacity	
Abidjan	36,025 m2	
Dakar	79,800 m2	
Conakry	2,800 m2	
Lome	9000 m2	
Nouakchott	12,000 m2	

Cite Sources

2. Storage Facilities (in-country): What is the storage capacity available in country? This should be estimated by looking at public facilities, private facilities, and those owned by PVOs and the WFP.

3. Transport capabilities: What is the general state of the transport facilities available, including roads, railways and other networks?

NOTES: On April 4, 2002, USDA/Abidjan, RFFP/Bamako, and Cooperating Sponsors in West Africa met to discuss the Bellmon Analysis as it applies to West Africa. Following are some notes from that meeting.

- 1) DATA COLLECTION:** The data collection process presents a challenge in West Africa: Statistics may show wide variation, are of questionable quality; or are unavailable or non-existent. Sources should be cited for all data used in the Bellmon Analysis. Local sources of data are often more up to date, and "ground-truthed" than international statistics. In the case of conflicting data, both data may be presented, and a judgement on which is more realistic may be made. The rationale should be explained in the Bellmon. Because of the problems in collecting reliable data, anecdotal information may also be used and cited to help explain the situation. Anecdotal information may be particularly useful in trying to understand commodity trade flows, and cross-checked with Ministry of Commerce, Customs, and other statistics.

- 2) USUAL MARKET REQUIREMENTS (UMR): The most recent can be obtained from USDA/Abidjan at email ag.abidjan@globeaccess.net or RFFP/Senegal at email houtattara@usaid.gov. The group (USDA/Abidjan, USAID/RFFP/Senegal, and Cooperating Sponsors) view UMRs as a necessary but not sufficient condition to approve/disapprove a Title II program. It is the Bellmon that looks more deeply into the structure of the agriculture and trade regime, food markets including tastes and preferences and agriculture calendars, and political considerations.
- 3) USDA and USAID handle Bellmon analyses differently. The Bellmon format mentioned above is relevant for both, as the information is required in each, though in different forms. For USDA the Bellmon analysis is imbedded within the proposal. The group suggests that the Bellmon format will still apply to USDA proposals.
- 4) The group suggests that the Bellmon Analysis be valid for the five-year DAP period. An annual update should be performed, updating the five-year production, consumption, and import statistics, and describing changes in the country that would have implications for food aid programming.

These guidelines offer a general format and suggestions for conducting a Bellmon Analysis in the West Africa region. While individual Bellmon Analyses will differ in style and content, it is hoped that these guidelines will help to standardize the format and quality of Bellmon submissions in the region.